

Kinnoull House Limited

Directors' Report and Financial Statements

For the Year Ended 30 November 2007

Registered Number SC190800



Kinnoull House Limited

Financial Statements

For the Year ended 30 November 2007

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Kinnoull House Limited

Company Information

Directors	Michael Ryan John McDonagh Alan Ritchie
Company secretary	Infrastructure Managers Limited
Registered office	3rd Floor Hanover House 45 Hanover Street Edinburgh EH2 2PJ
Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors PO Box 90 Erskine House 68 73 Queen Street Edinburgh EH2 4NH
Bankers	Royal Bank of Scotland Plc 49 Charing Cross London SW1A 2DX

Kinnoull House Limited

The Directors' Report

For the Year ended 30 November 2007

The Directors have pleasure in presenting their report and the financial statements of the Company for the year ended 30 November 2007

Principal Activities and Business Review

The Company carries on the business of developers of land and buildings and provides assets for use under PFI arrangements

Results and Dividends

The profit for the year, after taxation, amounted to £1,042,746 (2006 profit £643,711)

Particulars of dividends paid are detailed in note 8 to the financial statements

The profit for the year will be transferred to reserves.

The results for the year are in line with budget. The Directors anticipate that the Company will perform in line with budget in the coming financial year

Key performance indicators

The Directors believe that the analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company

Financial Instruments

Details of the Company's financial risk management objectives and policies are included in note 1 to the accounts. The fair values of the financial instruments are included in note 14 to the accounts

Directors

The Directors who served the Company during the year and up to the date of this report are listed on page 1

Disclosure of information to the auditors

So far as each of the Directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information

Kinnoull House Limited

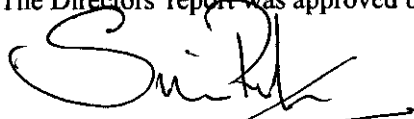
The Directors' Report *(continued)*

For the Year ended 30 November 2007

Auditor

A resolution to re appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

The Directors' report was approved by the board on 10 September 2008 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Simon Peck', with a long horizontal stroke extending to the right.

Simon Peck
For and on behalf of
Infrastructure Managers Limited
Company Secretary
Edinburgh

Kinnoull House Limited

Statement of Directors' Responsibilities

For the Year ended 30 November 2007

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year ended 30 November 2007. In preparing these financial statements, the Directors are required to

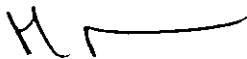
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware

- there is no relevant audit information of which the Company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors' responsibilities were approved by the board on 10 September 2008 and signed on its behalf by



Michael Ryan
Director

Kinnoull House Limited

Independent auditor's report to the members of Kinnoull House Limited

For the Year ended 30 November 2007

We have audited the financial statements of Kinnoull House Limited for the year ended 30 November 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's Members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Kinnoull House Limited

Independent auditor's report to the members of Kinnoull House Limited *(continued)*

For the Year ended 30 November 2007

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the state of the company's affairs as at 30 November 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

20 September 2008

Kinnoull House Limited

Profit and Loss Account

For the Year ended 30 November 2007

	Note	2007 £	2006 £
Turnover	2	3,402,695	3,019,170
Cost of sales		<u>(944,707)</u>	<u>(926,371)</u>
Gross Profit		2,457,988	2,092,799
Administrative expenses		<u>(94,185)</u>	<u>(91,977)</u>
Operating Profit	3	2,363,803	2,000,822
Interest receivable	5	220,265	166,646
Interest payable and similar charges	6	<u>(1,141,379)</u>	<u>(1,183,683)</u>
Profit on Ordinary Activities Before Taxation		1,442,689	983,785
Tax on profit on ordinary activities	7	<u>(399,943)</u>	<u>(340,074)</u>
Profit for the Financial Year	16	<u>1,042,746</u>	<u>643,711</u>

The Company has no recognised gains and losses other than those included in the profit above, which all relate to continuing activities, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

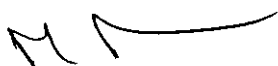
Kinnoull House Limited

Balance Sheet

as at 30 November 2007

	Note	2007 £	2006 £
Fixed Assets			
Tangible assets	9	<u>15,852,057</u>	<u>16,146,621</u>
Current Assets			
Debtors due within one year	10	729,008	360,291
Cash at bank		<u>3,848,041</u>	<u>4,165,396</u>
		<u>4,577,049</u>	<u>4,525,687</u>
Creditors: Amounts falling due within one year	11	<u>(1,495,092)</u>	<u>(1,395,538)</u>
Net Current Assets		<u>3,081,957</u>	<u>3,130,149</u>
Total Assets Less Current Liabilities		<u>18,934,014</u>	<u>19,276,770</u>
Creditors: Amounts falling due after more than one year	12	<u>(14,273,740)</u>	<u>(15,253,382)</u>
		<u>4,660,274</u>	<u>4,023,388</u>
Provisions for Liabilities			
Deferred taxation	13	<u>(1,280,322)</u>	<u>(1,350,853)</u>
Net assets		<u><u>3,379,952</u></u>	<u><u>2,672,535</u></u>
Capital and Reserves			
Share capital	15	134,000	134,000
Profit and loss account	16	<u>3,245,952</u>	<u>2,538,535</u>
Equity Shareholder's Funds	17	<u><u>3,379,952</u></u>	<u><u>2,672,535</u></u>

These financial statements on pages 7 to 16 were approved by the Directors and authorised for issue on 10 September 2008, and are signed on their behalf by



Michael Ryan
Director

The notes on pages 9 to 16 form part of these financial statements

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow on going obligations to be met as they fall due.

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is small.

Turnover

Turnover represents the value of rental income and service charges receivable during the period, wholly within the UK, excluding Value Added Tax.

Fixed assets

Accounting for PFI assets

The unitary charge is the turnover of the Company which is received from the provision of a PFI asset to the customer and is received over the life of the concession period. Where the unitary charge is separable, the provisions of SSAP 21 (lease accounting) have been applied. In this case the property element is treated as a finance debtor representing the discounted expected future unitary charge receipts from the relevant project for the property. Where the unitary charge is non separable and substantially all the risks and rewards of ownership remain with the Group, the asset is accounted for as a fixed asset. In the majority of cases the directors consider that the risks and rewards remain with the Group, and thus the costs of construction are included as fixed assets.

Costs incurred in the construction of subsidiaries' assets have been accounted for under Financial Reporting Standard (FRS) 5 Application Note F.

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

1 Accounting policies (*continued*)

Tangible fixed assets

Assets completed and under construction are shown at cost. In determining the relevant accounting treatment of the transactions, consideration was given to the provisions included in FRS 5 and HM Treasury guidance.

Interest and other directly attributable finance costs in respect of loans for the purpose of constructing assets are capitalised as part of the cost of constructing the buildings up to the date of practical completion. Subsequent interest is charged to the profit and loss account.

Depreciation

Depreciation is charged on Land and Buildings on a straight line basis to the profit and loss account over the useful economic life of each asset. The annual rates applied to each class of asset are:

Buildings	25 Years
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Deferred taxation

Deferred tax is fully provided on timing differences recognised by the balance sheet date when the Company has an obligation to pay more or less tax in the future as a result of these timing differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The Company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by FRS 19 (Deferred Tax).

Financial Instruments

The company uses derivative financial instruments to manage exposures to fluctuations in interest rates. Amounts payable and receivable in respect of these derivatives are recognised as adjustments to interest expense over the term of the contracts.

2 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

	2007 £	2006 £
United Kingdom	<u>3,402,695</u>	<u>3,019,170</u>

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

3 Operating profit

Operating profit is stated after charging

	2007	2006
	£	£
Depreciation of owned fixed assets	294,564	294,564
Auditor's remuneration as auditor	—	3,500

Auditors' remuneration is borne by Lanterndew Limited

4 Particulars of employees and directors

The Directors did not receive any remuneration from the Company during the year (2006 £nil)
There were no employees in the financial year other than the directors (2006 nil)

5 Interest receivable

	2007	2006
	£	£
Bank interest receivable	220,265	166,646

6 Interest payable and similar charges

	2007	2006
	£	£
Interest payable on bank borrowing	913,384	952,823
Interest payable on loans due to intermediate parent company	227,995	230,860
	1,141,379	1,183,683

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 30%)	470,474	302,769
Total current tax	470,474	302,769
Deferred tax		
Origination and reversal of timing differences	(70,531)	37,305
Tax on profit on ordinary activities	399,943	340,074

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 30%)

	2007 £	2006 £
Profit on ordinary activities before taxation	1,442,689	983,785
Profit on ordinary activities by rate of tax	432,806	295,136
Expenses not deductible for tax purposes	58,589	
Capital allowances for period in excess of depreciation	(20,921)	(37,305)
Accounting for depreciation not eligible for tax purposes		57,301
Tax at marginal rates		(12,363)
Total current tax credit (note 7(a))	470,474	302,769

8 Dividends

Equity dividends

	2007 £	2006 £
Paid during the year		
Ordinary shares interim dividend of 2 50p per share (2006 £nil)	335,329	—

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

9 Tangible fixed assets

	Land & Buildings
	£
Cost	
At 1 December 2006 and 30 November 2007	<u>17,982,476</u>
Depreciation	
At 1 December 2006	1,835,855
Charge for the year	<u>294,564</u>
At 30 November 2007	<u>2,130,419</u>
Net Book Value	
At 30 November 2007	<u>15,852,057</u>
At 30 November 2006	<u>16,146,621</u>

10 Debtors

	2007	2006
	£	£
Trade debtors	625,650	314,506
Prepayments and accrued income	<u>103,358</u>	<u>45,785</u>
	<u>729,008</u>	<u>360,291</u>

11 Creditors: Amounts falling due within one year

	2007	2006
	£	£
Other loans	26,849	24,779
Bank loans	658,754	620,879
Trade creditors	121,397	51,222
Amounts owed to group undertakings	50,209	—
Corporation tax	319,091	302,769
Other taxation	74,678	72,969
Accruals and deferred income	<u>244,114</u>	<u>322,920</u>
	<u>1,495,092</u>	<u>1,395,538</u>

The amounts owed to group undertakings consists of amounts due to intermediate parent

The amounts owed to intermediate parent are trading balances, are not interest bearing and are repayable on demand

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

12 Creditors: Amounts falling due after more than one year

	2007	2006
	£	£
Bank loans	12,552,121	13,210,936
Other loans	1,721,619	1,748,446
	<u>14,273,740</u>	<u>14,959,382</u>
Accruals and deferred income	–	294,000
	<u>14,273,740</u>	<u>15,253,382</u>

Bank loans are repayable over a period of 20 years by way of semi annual payments commencing 10 March 2001. The last payment is due on 10 September 2020. The bank loans are secured by way of a fixed and floating charge over the assets of the Company. Interest is charged on the bank loan at the rate of 6.735% per annum. Other loans are repayable over a period of 25 years by way of semi annual payments commencing 10 March 2001. The last payment is due on 10 September 2025. Interest is charged on the other loans at the rate of 12.94% per annum.

13 Deferred taxation

The movement in the deferred taxation provision during the year was

	2007	2006
	£	£
Provision brought forward	1,350,853	1,313,548
Profit and loss account movement arising during the year	(70,531)	37,305
Provision carried forward	<u>1,280,322</u>	<u>1,350,853</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2007	2006
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>1,280,322</u>	<u>1,350,853</u>
	<u>1,280,322</u>	<u>1,350,853</u>

During the year, as a result of the change in the UK Corporation Tax rate from 30% to 28% that will be effective from 1 April 2008, deferred tax balances have been measured. Deferred tax expected to reverse in the year to 31 December 2008 has been measured using the effective rate for the period (28%).

14 Financial risk management objectives and policies

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments that are carried in the financial statements at other than fair values.

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

14 Financial risk management objectives and policies (continued)

	2007		2006	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
Financial assets				
Interest rate SWAP	—	248,853	—	602,268
Financial liabilities				
Long term borrowing	(13,210,875)	(12,962,021)	(13,831,815)	(13,229,547)

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cashflows at the prevailing interest rates at the year end

15 Share capital

Authorised share capital:

	2007 £	2006 £
250,000 'A' type shares of £1 each	250,000	250,000
250,000 'B' type shares of £1 each	250,000	250,000
	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£	No	£
'A' type shares of £1 each	67,000	67,000	67,000	67,000
'B' type shares of £1 each	67,000	67,000	67,000	67,000
	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>

"A" and "B" shares have equal ranking and voting rights

16 Profit and loss account

	2007 £	2006 £
Balance brought forward	2,538,535	1,894,824
Profit for the financial year	1,042,746	643,711
Equity dividends	(335,329)	—
Balance carried forward	<u>3,245,952</u>	<u>2,538,535</u>

Kinnoull House Limited

Notes to the Financial Statements

For the Year ended 30 November 2007

17 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Profit for the financial year	1,042,746	643,711
Equity dividends	(335,329)	—
Net addition to shareholders' funds	707,417	643,711
Opening shareholders' funds	2,672,535	2,028,824
Closing shareholders' funds	3,379,952	2,672,535

18 Related party disclosures

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required

Disclosure of related party transactions that the Directors have with the group which is consolidated at Lanterndew Limited are included in the accounts of that entity

19 Ultimate parent company

The immediate parent company is Kinnoull House (Holdings) Limited

The ultimate parent entity is Infrastructure Investors LP, with ownership of this entity shared between Investors in Infrastructure Limited (a wholly owned subsidiary of Barclays plc), Societe Generale, 3i Infrastructure plc and a limited liability partnership managed by Fleming Family & Partners Asset Management Limited. Accordingly, there is no overall parent company and no ultimate controlling party